Alberta

Freedom To Create. Spirit To Achieve.

Consolidated Financial Statements

of the Government of Alberta

Annual Report

2009–2010

Government of Alberta

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Consolidated Financial Statements

of the Province of Alberta

Year Ended March 31, 2010

INTRODUCTION

The financial statements in this annual report of the Government of Alberta are a consolidation of ministry financial statements, which themselves are a consolidation of the financial statements of departments, regulated funds, Provincial agencies, Crown-controlled corporations and SUCH sector organizations, for which separate or summary financial statements are presented in ministry annual reports. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services, and other health entities. A listing of these organizations is provided in Schedule 15 of the financial statements.

For the year ended March 31, 2010, for the first time, as required by Canadian public sector accounting standards, the consolidated financial statements of the Province include Crown-controlled SUCH sector organizations using the line-by-line method of consolidation rather than the modified equity method. This change in accounting policy has been applied retroactively and financial statements for the fiscal year 2008-09 have been restated.

The method of consolidation is described in the Accounting Policies note (Note 1) that forms part of the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Alberta rests with the government. The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Minister of Treasury Board as authorized by the President of Treasury Board pursuant to the *Financial Administration Act*. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, and of necessity include some amounts that are based on estimates and judgements. As required by the *Government Accountability Act*, the consolidated financial statements are included in the consolidated annual report of the Government of Alberta that forms part of the Public Accounts.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability for public money, and
- safeguard the assets and properties of the Province of Alberta under government administration.

Under the *Financial Administration Act*, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. In order to meet government accounting and reporting requirements, the Controller obtains information relating to departments, regulated funds, Provincial agencies, Crown-controlled corporations, schools, universities, colleges, technical institutes, Alberta Health Services and health boards from ministries as necessary.

The consolidated financial statements are reviewed by the Audit Committee established under the *Auditor General Act*. The Audit Committee advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the consolidated financial statements of the Province.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in the *Auditor General Act*.

Annually, the consolidated annual report is tabled in the Legislature as a part of the Public Accounts and is referred to the Standing Committee on Public Accounts of the Legislative Assembly.

Approved by:

Grant Robertson
Deputy Minister of Treasury Board

Doug Lynkowski, CA
Controller

Edmonton, Alberta
June 21, 2010

AUDITOR GENERAL *Alberta*

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statements of financial position of the Province of Alberta as at March 31, 2010 and 2009 and the consolidated statements of operations, change in net financial assets and cash flows for the years then ended. These financial statements are the responsibility of the Government of Alberta and are prepared on its behalf by the Ministry of Treasury Board management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 2010 and 2009 and the results of its operations, change in its net financial assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles for the public sector.

[Original Signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
June 21, 2010

The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.

Consolidated Statements of Operations

Year Ended March 31

	2010	2009
	In millions	
Revenues (Schedule 1)		
Income taxes	$ 12,631	$ 12,960
Other taxes	3,746	3,817
Non-renewable resource revenue	6,768	11,915
Transfers from Government of Canada	5,342	4,578
Net income from commercial operations (Schedule 7)	2,259	2,211
Net investment income (loss) (Note 12)	3,541	(1,888)
Premiums, fees and licences	1,914	2,603
Other	3,209	3,129
	39,410	39,325
Expenses by function (Schedules 2 and 3)		
Health	14,636	13,674
Education	10,967	10,438
Social services	3,807	3,417
Transportation, communications and utilities	2,306	2,436
Agriculture, resource management and economic development	2,247	2,287
Protection of persons and property	1,458	1,412
Regional planning and development	800	1,005
Recreation and culture	398	620
Housing	559	677
Environment	369	414
General government	1,697	1,535
Debt servicing costs	214	208
Pension provisions (Schedules 4 and 11)	428	2,133
	39,886	40,256
Annual deficit	(476)	(931)
Net assets at beginning of year (Note 1(b))	61,976	63,005
Other (Note 14)	34	(98)
Net assets at end of year	$ 61,534	$ 61,976

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statements of Financial Position

As at March 31

	2010	2009
	In millions	
Financial assets		
Cash and temporary investments (Schedule 5)	$ 10,765	$ 13,888
Accounts and accrued interest receivable	4,962	4,311
Portfolio investments (Note 13 and Schedule 6)	35,296	34,560
Equity in commercial enterprises (Schedule 7)	2,416	2,317
Loans and advances (Schedule 8)	8,893	7,470
Inventories for resale	66	44
	62,398	62,590
Liabilities		
Accounts and accrued interest payable	10,102	9,785
Unmatured debt (Note 6 and Schedule 9)	4,779	2,064
Debt of Alberta Capital Finance Authority (Schedule 10)	8,100	6,812
Pension liabilities (Schedule 11)	9,481	10,239
Other accrued liabilities (Schedule 12)	1,194	1,109
Liabilities under public private partnerships (Note 7)	1,425	880
	35,081	30,889
Net financial assets	27,317	31,701
Non-financial assets		
Tangible capital assets (Schedule 13)	33,944	30,031
Inventories of supplies	152	139
Prepaid expenses	121	105
	34,217	30,275
Net assets	$ 61,534	$ 61,976

Contractual obligations and contingent liabilities (Notes 8 and 9)

Endowment funds (Note 13)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statements of Change in Net Financial Assets

Year Ended March 31

	2010	2009
	In millions	
Annual deficit	$ (476)	$ (931)
Acquisition of tangible capital assets and inventories of supplies	(5,579)	(4,812)
Public private partnership and donated capital	(654)	(340)
Amortization of tangible capital assets and consumption of inventories of supplies	2,290	2,128
Net gain on disposal and write-down of tangible capital assets	(33)	(4)
Proceeds on sale of tangible capital assets	72	32
Increase in prepaid expenses	(16)	-
Accumulated unrealized (losses) gains (Schedule 7)	(77)	86
Increase in endowments (Note 13)	102	22
Consolidation adjustments relating to SUCH sector	(37)	(50)
Other	24	(139)
Decrease in net financial assets	(4,384)	(4,008)
Net financial assets at beginning of year	31,701	35,166
Changes to opening net financial assets due to SUCH sector	-	543
Net financial assets at end of year	$ 27,317	$ 31,701

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Year Ended March 31

	2010	2009
	In millions	
Operating transactions		
Annual deficit	$ (476)	$ (931)
Non-cash items	2,336	4,143
	1,860	3,212
(Increase) decrease in receivables	(667)	1,316
Increase in payables	316	319
Other	(65)	(103)
Cash provided by operating transactions	1,444	4,744
Capital transactions		
Acquisition of tangible capital assets and inventories of supplies	(5,579)	(4,812)
Proceeds on sale of tangible capital assets	72	32
Cash applied to capital transactions	(5,507)	(4,780)
Investing transactions		
Purchase of portfolio investments	(27,305)	(15,547)
Disposals of portfolio investments	26,819	19,605
Loans and advances made	(4,282)	(3,990)
Repayment of loans and advances	2,682	2,645
Cash (applied to) provided by investing transactions	(2,086)	2,713
Financing transactions		
Debt retirement	(10,635)	(10,200)
Debt issues	14,801	10,964
Repayment of Teachers' Pension Plan Obligation	(1,186)	-
Repayment of liabilities under capital leases and public private partnerships	(11)	(11)
Other	57	165
Cash provided by financing transactions	3,026	918
(Decrease) increase in cash and temporary investments	(3,123)	3,595
Cash and temporary investments at beginning of year	13,888	10,293
Cash and temporary investments at end of year	$ 10,765	$ 13,888

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
March 31

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

These financial statements include the accounts of all organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations. SUCH is an acronym for schools, universities, colleges and hospitals. However, the term "Crown-controlled SUCH sector organizations" is used to describe a much broader list of organizations, including school boards, technical institutes, Alberta Health Services, and other health entities.

A listing of these organizations is provided in Schedule 15.

(b) Changes in Accounting Policy

Crown-controlled SUCH sector organizations were previously included in the Province's financial statements using the modified equity method of consolidation. Due to changes in accounting standards, these entities are now consolidated on a line-by-line basis. As a result, the Net assets of the Province as of March 31, 2009 have been restated. This change in accounting policy has been implemented retroactively with the restatement of prior years.

In addition, effective January 1, 2010, four new Alberta Innovates Corporations were created under the *Alberta Research and Innovation Act*. These new Corporations have realigned 10 provincially funded research and innovation organizations, some of which were previously excluded from the Province's reporting entity. This results in an increase to the Net assets of the Province. Comparatives for 2009 have been restated as if the Province had always consolidated these entities.

The results of the restatement are described in the following table:

	March 31, 2009		
	As Previously Reported (Modified Equity)	Increase (Decrease)	As Restated (Line-by-Line)
	In millions		
Revenues	$ 35,827	$ 3,498	$ 39,325
Expenses	38,682	1,574	40,256
Annual deficit	(2,855)	1,924	(931)
Net assets at March 31, 2008	49,186	13,819	63,005
Universities Academic Pension Plan	273	(273)	-
Local Authorities Pension Plan	(157)	-	(157)
Other	(173)	232	59
Net assets at March 31, 2009	$ 46,274	$ 15,702	$ 61,976

Note 1 (continued)

(c) Method of Consolidation

The accounts of government sector entities and Crown-controlled SUCH sector entities, except those designated as commercial enterprises, are consolidated using the line-by-line method. Under this method, accounting policies of the consolidated entities are adjusted to conform to government accounting policies and the results of each line item in their financial statements (revenue, expense, assets, and liabilities) are included with the government's results. Revenue and expense transactions, capital, investing and financing transactions, and related asset and liability balances between consolidated entities have been eliminated.

Previously, the Crown-controlled SUCH sector organizations were included using the modified equity method of accounting and the results of their operations were shown in the Consolidated Statements of Operations revenue line item "Increase in equity in Crown-controlled SUCH sector organizations" and in the Consolidated Statements of Financial Position line item "Equity in Crown-controlled SUCH sector organizations". The transition period permitting this method of accounting for these entities is now over and these entities must also be included in the government's results using the line-by-line method of consolidation. This year, the accounting policies of the SUCH sector organizations have been conformed to those of the Province, the results of each line in their financial statements have been included with the Province's results, and the impact of transactions between consolidated entities have been eliminated. Asset retirement obligations of the SUCH sector organizations have been included in the Province's financial statements.

The most significant difference arising from this changed method of consolidation is the elimination of grants to the SUCH sector and the addition of SUCH sector expenses, including amortization and the transformation of unexpended capital grants into various forms of financial assets or tangible capital assets. The Province's net assets have increased primarily as a result of accumulation of unexpended capital grants and unamortized balance of the related tangible capital assets financed from prior years' capital grants. The net deficit of the Province has decreased as a result of a combination of several factors including the impact of capital grants, multi-year operating grants and the surplus of SUCH sector own revenues over related expense.

Public sector accounting standards allow that when the scope of activities reported in the budget is different from the scope of activities reported in the financial statements, the budget to actual comparison may be done on the same reporting basis as presented in the budget. The reporting entity for financial statement purposes includes those entities that are deemed to be controlled by the Province for accounting purposes. These controlled entities include Crown-controlled SUCH sector organizations and the four new Alberta Innovates Corporations. However, these entities are not included in the Province's budget on a line-by-line basis. As a result of this difference in scope, a comparison between the budgeted results and the actual results is not meaningful without detailed reconciliation. Therefore, in these financial statements, the "Budget" column no longer appears on the Consolidated Statements of Operations or in other Notes or Schedules throughout the statements. Rather, a comparison between budgeted results and actual results is shown in Note 5 with the actual results presented on the same reporting basis as the budget.

Schools, colleges, technical institutes and some Provincial agencies have year ends that are other than March 31. The significant transactions of these organizations that have occurred during the period between their year ends and the Province's year end of March 31, 2010, have been recorded in these financial statements.

The accounts of Provincial agencies designated as commercial enterprises, such as ATB Financial (see Schedule 7), are accounted for on the modified equity basis, the equity being computed in accordance with Canadian generally accepted accounting principles applicable to these entities. Under the modified equity method, the accounting policies of commercial enterprises are not adjusted to conform to those of the government sector entities. Inter-sector revenue and expense transactions and related asset and liability balances are not eliminated.

(d) Basis of Financial Reporting for Government Entities and Crown-controlled SUCH Sector Entities

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue and included in accounts payable.

Corporate income tax revenue is recognized when instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments. Corporate income tax receipts from corporations in anticipation of an upward reassessment of Alberta income tax payable are described as corporate income tax receipts in abeyance and recorded as accounts payable.

Personal income tax is recognized on an accrual basis based on an economic estimate of the various components of personal income tax for the fiscal year. Gross personal income tax for the taxation year is a key component of the estimate for the fiscal year.

The Provincial tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Province has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various Acts it administers. These systems and controls include performing audits of taxpayer records when determined necessary. However, such procedures cannot identify all sources of unreported income or other cases of non-compliance with tax laws. The Province does not estimate the amount of unreported tax.

Non-renewable resource revenue is reported based on royalties on oil and gas produced during the year.

The provincial royalty system is predicated on self-reporting where the petroleum and natural gas industry is expected to understand the relevant energy legislation (statutes and regulations) and comply with them. This has an impact on the completeness of revenue when the petroleum and natural gas industry does not fully meet the legislative requirements, for example, by reporting inaccurate or incomplete production data. The Province has implemented systems and controls in order to detect and correct situations where the petroleum and natural gas industry has not complied with the various Acts and regulations the Province administers. These systems and controls, based on areas of highest risk, include performing audits of the petroleum and natural gas industry records when determined necessary. The Province does not estimate the effect of misreported revenue.

Transfers from the Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made. Payments received in excess of the estimated amounts applicable to the fiscal year are deferred and included in accounts payable. Externally restricted revenue is recognized as revenue in the period in which the resources are used for the purpose specified. Payments received prior to meeting this criterion are included in accounts payable until the resources are used for the purpose specified.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired tangible capital assets and expenses incurred in accordance with the terms of approved grant programs. Grants are recognized as expenses when authorized, eligibility criteria, if any, are met, and a reasonable estimate of the amounts can be made.

Pension costs comprise the cost of pension benefits earned by employees during the year, interest on the Province's share of the unfunded pension liabilities, and the amortization over the expected average remaining service life of employees of deferred adjustments arising from experience gains and losses and changes in actuarial assumptions. Schedule 11 provides additional information on the components of pension liabilities.

Note 1 (continued)

In the Consolidated Statements of Operations, pension costs of government sector entities which are funded are included in expenses by function and costs which have not been funded are recorded as pension provisions.

Costs arising from obligations under guarantees and indemnities are recorded as expenses when management determines that the Province will likely be called upon to make payment. The expense represents management's estimate of future payments less recoveries.

The estimated increase or decrease for the year in accrued employee vacation entitlements is also recorded in the appropriate expense function.

Financial Assets

Financial assets are the government's financial claims on external organizations and individuals, and inventories for resale at the year end.

Cash and temporary investments are valued at the lower of cost or fair value, on an aggregate basis.

Portfolio investments authorized by legislation to provide income for the long term or for other special purposes are recorded at cost. Realized gains and losses on disposals of these investments are included in calculating the net operating results for the year. If an investment loses value that is other than a temporary loss, its recorded value is reduced to reflect the loss. The reduced value is deemed to be the new cost.

Loans are recorded at cost less any discounts and allowance for credit loss.

Inventories for resale representing the Province's share of royalty oil in feeder and trunk pipelines are recorded at their net realizable value. Other inventories for resale are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities represent present obligations of the government to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Debentures included in unmatured debt are recorded at their face amount less net unamortized discount, which includes issue expenses and hedging costs.

Liabilities also include:

- all financial claims payable by the government at the year end,
- estimates of the present value of the government's obligations for future pension contributions and/or benefits under defined benefit pension plans for current and former provincial and other public sector employees, and certain current and former Members of the Legislative Assembly, including deferred adjustments,
- estimates of the government's liabilities for site remediation and reclamation,
- accrued employee vacation entitlements, and
- asset retirement obligations of the SUCH sector organizations.

Non-financial Assets

Non-financial assets are limited to tangible capital assets, inventories of supplies and prepaid expenses.

Note 1 (continued)

Tangible capital assets of commercial enterprises are included in the Consolidated Statements of Financial Position within equity in commercial enterprises. Tangible capital assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included on the Consolidated Statements of Financial Position. Post-secondary institutions and certain departments have collections consisting of historical artifacts and provincial, national and international works of art. The value of these collections is not recognized in these financial statements.

Tangible capital assets are valued at cost less accumulated amortization. Amortization is provided on a straight-line basis over the periods expected to benefit from their use (see Schedule 13). The annual amortization costs are allocated to the functions of the government that employ those assets and reported on the Consolidated Statements of Operations.

Inventories of supplies are valued at the lower of cost, determined on a first-in, first-out basis, and replacement cost.

Derivative Contracts

Income and expense on derivative contracts are recorded as investment income or debt servicing costs. Gains and losses from derivative contracts, which are designated as hedges of market risks for purposes of hedge accounting, are recognized in the same period as the gains and losses of the specific assets and liabilities being hedged. Derivative contracts not designated as hedges for purposes of hedge accounting are recorded at fair value (see Note 4).

The estimated amounts receivable and payable from derivative contracts are included in accrued interest receivable and payable respectively.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year-end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of the net operating results for the year.

Public Private Partnerships

A public private partnership (P3) is defined as a cooperative venture based on contractual obligations between one or more public/private/not for profit partners that meets clearly defined public needs for the provision of goods or services.

The Province accounts for P3 projects in accordance with the substance of the underlying agreements. Agreements that transfer substantially all the risks and rewards of ownership of the assets to the Province are classified as capital leases and are accounted for as follows:

- the capital asset value and the corresponding liabilities are recorded at the net present value of the minimum lease payments discounted using the Province's borrowing rate for long term debt at the time of signing the P3 agreement,
- during construction, the capital asset (classified as work in progress) and the corresponding liability are recorded based on the estimated percentage of completion, and
- amortization is accounted for on a straight-line basis over the estimated useful life and commences when the asset is in service.

Note 1 (continued)

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal and corporate income taxes, health transfers and Canada social transfer entitlements, royalties derived from non-renewable resources, pension liabilities and alternative investments. The nature of the uncertainty in these items arises from several factors such as:

- the effect on accrued income taxes of the verification of taxable income,
- the effect on accrued entitlements of Canada Health Transfer and Canada Social Transfer from changes in the base allocations which are primarily a result of updated personal and corporate tax information or from new entitlements with little historical experience,
- the effect of valuation of alternative investments compared to what is ultimately realized,
- the effect on accrued pension obligations of actual experience compared to assumptions,
- the effect on accrued royalties of the receipt of revised production data and reassessments, and
- the effect on asset backed commercial paper investments of ultimate fair value compared to current estimates.

Personal income tax revenue, totalling $7,877 million (2009: $8,708 million), see Schedule 1, is subject to measurement uncertainty due primarily to the use of economic estimates of personal income growth. Personal income growth is inherently difficult to estimate due to subsequent revisions to personal income data. The estimate of personal income growth used in determining personal income tax for the current fiscal year is 1.5% (2009: 6.5%).

Corporate income tax revenue, totalling $4,754 million (2009: $4,252 million), see Schedule 1, is subject to measurement uncertainty due primarily to the timing differences between tax collected and future tax assessments. The Province records corporate income tax revenue as instalments are received from taxpayer corporations. Corporate income tax refunds payable are accrued based on the prior year's corporate income tax refunds paid on assessments.

Alternative investments of $2,457 million (2009: $2,284 million), see Schedule 6, are subject to measurement uncertainty as the fair value may differ significantly from the values that would have been used had a ready market for these investments existed.

Pension liabilities of $9,481 million (2009: $10,239 million), see Schedule 11, are subject to measurement uncertainty because a Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's accrued benefits.

Natural gas and by-products royalty, totalling $1,525 million (2009: $5,834 million), and synthetic crude oil and bitumen royalty, totalling $3,160 million (2009: $2,973 million), see Schedule 1, is also subject to measurement uncertainty. Natural gas and by-products royalty is calculated based on allowable costs incurred by the royalty payers and production volumes that are reported to the Province by royalty payers. These costs and volumes could vary significantly from that initially reported. The Province estimates what the costs, volumes and royalty rates for the fiscal year should be based on statistical analysis of industry data.

Note 1 (continued)

The accounts of SUCH sector organizations are consolidated based on the results of their latest financial year end. Some of these entities have year ends that are other than March 31. Estimation of transactions for the period between their year ends and March 31 is therefore subject to measurement uncertainty.

While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

NOTE 2 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Due to their short term nature, the fair values of cash and temporary investments, accounts and accrued interest receivable, accounts and accrued interest payable and other accrued liabilities are estimated to approximate their book values.

The methods used to determine the fair values of temporary and portfolio investments are explained in the following paragraphs:

Public fixed-income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages and certain non-public provincial debentures are valued at the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of alternative investments including absolute return strategy investments, investments in limited partnerships, private investment funds, private equities and securities with limited marketability is estimated using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

Because quoted market prices are not readily available for alternative and private investments and real estate, estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that may ultimately be realized. Accordingly, estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The fair value of loans and advances made under the authority of the *Alberta Capital Finance Authority Act* is based on the net present value of future cash flows discounted using the Alberta Capital Finance Authority's (the Authority) current cost of borrowing. Fair values of some of the other loans and advances, including those made under the authority of the *Agriculture Financial Services Act*, are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability. The fair value of unmatured debt and debt of the Authority is an approximation of its fair value to the holder.

Note 2 (continued)

The fair value of derivative contracts relating to portfolio investments is included in the fair value of portfolio investments. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

> Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest. Forward foreign exchange contracts and equity index futures contracts are valued based on quoted market prices. Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and exchange rates. Options to enter into interest rate swap contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure change in the underlying swap. Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

At the year end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated to Canadian dollars at the year end exchange rate.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) Asset Management

The investments that the Province holds are exposed to credit risk and price risk. Price risk is comprised of currency risk, interest rate risk and market risk. In order to earn the best possible return at an acceptable level of risk, the Province has established policies for the asset mix of its investment portfolios.

The Province reduces its investment risk by holding many different types of assets, investing in securities from various governments and companies in different industries and countries, having quality constraints on fixed income instruments, and restricting amounts exposed to countries designated as emerging markets. The use of derivatives is controlled (see Note 4).

Some of the Province's investments are in the Alberta Heritage Savings Trust Fund (Heritage Fund), which also includes money allocated to the Heritage Fund under the *Access to the Future Act*. The objective is to invest in a diversified portfolio to maximize long-term returns at an acceptable level of risk.

Investments in the Alberta Heritage Foundation for Medical Research Endowment Fund, the Alberta Heritage Science and Engineering Research Endowment Fund and the Alberta Heritage Scholarship Fund are managed to provide an annual level of income to intermediary boards responsible for making grants to researchers in the fields of medicine, science and engineering, and to selected students.

The General Revenue Fund also holds a portion of the Province's investments. General Revenue Fund investments are used to repay debt as it matures, to provide funding for the capital plan, and to help protect operating and capital spending from short-term declines in revenue and the costs of emergencies, disasters, and settlements with First Nations.

(b) Liability Management

The objective of the Province's liability management program is to achieve the lowest possible cost on its unmatured debt (see Schedule 9). In order to achieve this objective, the Province manages four financial risks: interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Province manages these four risks within approved policy guidelines. The debt of provincial corporations is managed separately.

The Province has decided that the most effective liability risk management strategy is to allow existing debt instruments to mature in accordance to their terms.

NOTE 4 DERIVATIVE CONTRACTS AND RELATED CREDIT RISK

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, liabilities, indices, interest rates or currency rates. The Province uses derivative contracts to enhance investment return, manage exposure to interest rate and foreign currency risks, and for asset mix management purposes. Associated with these instruments are credit risks that could expose the Province to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is insignificant in relation to the notional principal amount. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Province limits its credit exposure by dealing with counterparties with good credit ratings.

The following is a summary of the fair values and maturity schedules of the Province's derivative contracts by type:

	Maturity			Contract Notional Amount [a][c]	Net Fair Value [b][c]
	Under 1 Year	1 to 3 Years	Over 3 Years		
				In millions	
Interest rate swap contracts	16%	10%	74%	$ 12,912	$ 31
Forward foreign exchange contracts	97%	3%	-	5,741	65
Credit default swap contracts	29%	39%	32%	3,925	(31)
Cross-currency interest rate swaps	26%	29%	45%	566	43
Equity and bond index swaps and futures	94%	2%	4%	5,629	279
Forward commodity contracts	79%	21%	-	1,622	1
Swap option contracts	95%	5%	-	631	(3)
Embedded derivatives	19%	15%	66%	371	(46)
Total 2010				$ 31,397	$ 339
Total 2009				$ 30,840	$ (137)

(a) The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). Credit exposure is limited by dealing with counterparties believed to have good credit rating (A+ or greater).

(b) The method of determining the fair value of derivative contracts is described in Note 2.

(c) Includes derivatives of ATB Financial with a contract notional amount of $6,570 million and a net fair value of $80 million. The exposure to credit risk on these derivatives of $227 million is reduced by entering into netting agreements of $8 million and collateral agreements with counterparties of $87 million leaving a residual credit exposure on derivatives of $132 million.

NOTE 5 BUDGET

The Fiscal Plan documents, which describe the Province's budget for the 2010 fiscal year, were tabled in the Legislature on April 7, 2009. The reporting entity for budget purposes excludes Crown-controlled SUCH sector organizations and the four new Alberta Innovates Corporations. However, these are included in the reporting entity for reporting actual results in the financial statements because these entities are deemed to be controlled by the Province for accounting purposes. For fiscal policy purposes, the budget also excludes pension liabilities. When there is a difference in scope and basis between the activities reported in the budget and those reported in the financial statements, public sector accounting standards allow that the budget to actual comparison may be done on the same reporting basis as the budget. As a result, the actual results have been restated to exclude the Crown-controlled SUCH sector organizations, the four Alberta Innovates Corporations and pension liabilities.

Note 5 (continued)

This table uses the same grouping of financial assets and liabilities as the budget presented in the Fiscal Plan.

	2010		2009
	Budget [d][e]	Actual without SUCH and Innovates Corporations [e]	Actual without SUCH and Innovates Corporations [e]
		In millions	
Financial assets			
Heritage Fund external investments	$ 13,928	$ 13,838	$ 13,838
Self-supporting lending organizations [a]	9,808	10,671	9,235
Alberta Sustainability Fund [b]	10,359	14,983	16,822
Endowments and other funds [c]	2,958	3,239	3,208
Debt Retirement Account (Note 6)	1,107	1,107	1,175
Other financial assets	10,078	10,967	9,773
	48,238	54,805	54,051
Liabilities			
Self-supporting lending organizations [a]	9,087	10,035	8,424
Accumulated debt (Note 6)	1,092	1,092	1,160
Liabilities for capital projects	2,662	2,889	880
Accounts and interest payable and other liabilities	6,393	7,772	6,633
	19,234	21,788	17,097
Net financial assets for fiscal policy purposes	29,004	33,017	36,954
Tangible capital assets and inventories of supplies	18,406	17,532	15,848
Net assets for fiscal policy purposes	$ 47,410	50,549	52,802
Pension liabilities [f]		(9,279)	(10,081)
Net assets of SUCH sector organizations and Alberta Innovates Corporations		20,264	19,255
Net assets for financial statement purposes		$ 61,534	$ 61,976

(a) Alberta Capital Finance Authority and Agriculture Financial Services Corporation.

(b) The Alberta Sustainability Fund was established to help protect operating and capital spending from short term declines in revenue and to fund the costs of emergencies, disasters and settlements with First Nations.

(c) Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Science and Engineering Research Endowment Fund, Alberta Heritage Scholarship Fund, Alberta Cancer Prevention Legacy Fund, and Alberta Enterprise Corporation.

(d) The budget column does not include Crown-controlled SUCH sector organizations.

(e) The budget column and the actual results column include the results of operations for Alberta Research Council and iCore for 9 months of the year. Effective January 1, 2010, the Province established four new Alberta Innovates Corporations. Alberta Research Council and iCore ceased to exist and were rolled into the new Alberta Innovates – Technology Futures Corporation. Similar to the Crown-controlled SUCH sector organizations, these Alberta Innovates Corporations are also excluded from the Province's budget on a line-by-line basis.

(f) This excludes pension liability for SUCH sector organizations amounting to $202 million.

Note 5 (continued)

This is the first time that the assets and liabilities of Crown-controlled SUCH sector organizations have been included in the Province's financial statements using the line-by-line method of consolidation. Previously, the SUCH sector was included using the modified equity method and the impact of the assets and liabilities of these organizations was reflected in a single line on the Consolidated Statements of Financial Position called Equity in Crown-controlled SUCH sector organizations (reported as $3,553 million as at March 31, 2009 in the 2008-09 Government of Alberta Annual Report).

A similar analysis is completed to compare the actual operating results of the Province on the same reporting basis as the budget described in the Fiscal Plan:

	2010		2009
	Budget [a][b]	Actual without SUCH and Innovates Corporations [b]	Actual without SUCH and Innovates Corporations [b]
		In millions	
Revenues	$ 31,661	$ 35,652	$ 35,789
Expenses	36,375	36,684	36,641
	(4,714)	(1,032)	(852)
Withdrawals from the Sustainability Fund	4,714	1,032	852
Adjusted annual surplus for fiscal plan purposes	-	-	-
Adjustment for withdrawals from the Sustainability Fund		(1,032)	(852)
Pension provisions [c]		(384)	(2,041)
Annual surplus of SUCH sector organizations and Alberta Innovates Corporations		940	1,962
Annual deficit for financial statement purposes		$ (476)	$ (931)

(a) The budget column does not include Crown-controlled SUCH sector organizations.

(b) The budget column and the actual results column include the results of operations for Alberta Research Council and iCore for 9 months of the year. Effective January 1, 2010, the Province established four new Alberta Innovates Corporations. Alberta Research Council and iCore ceased to exist and were rolled into the new Alberta Innovates – Technology Futures corporation. Similar to the Crown-controlled SUCH sector organizations, these Alberta Innovates Corporations are also excluded from the Province's budget on a line-by-line basis.

(c) This excludes pension provisions for SUCH sector organizations amounting to $44 million.

The annual deficit for financial statements purposes includes the net result of operations of Crown-controlled SUCH sector organizations and the Alberta Innovates Corporations, which are included in the Consolidated Statements of Operations on a line-by-line basis.

This is the first time that the revenues and expenses of Crown-controlled SUCH sector organizations have been included in the Province's financial statements using the line-by-line method of consolidation. Previously, the SUCH sector was consolidated using the modified equity method and the impact of the revenues and expenses of these organizations was reflected in the single line on the Consolidated Statements of Operations called Increase in equity in Crown-controlled SUCH sector organizations (reported as $38 million for the year ended March 31, 2009 in the 2008-09 Government of Alberta Annual Report).

NOTE 6 FISCAL RESPONSIBILITY LEGISLATION

Effective April 1, 2005, the *Fiscal Responsibility Act* requires that the financial assets in the Debt Retirement Account must be equal to or greater than the amount of the accumulated debt at the fiscal year end. During 2009-10, the Province complied with the Act. The *Fiscal Responsibility Act* specifically excludes from the definition of accumulated debt any amounts borrowed for the purposes of making advances to or purchasing securities of a Provincial corporation, any amounts borrowed for capital, and any amounts borrowed for the purpose of paying to the post-1992 fund all or any portion of the amounts owing in accordance with the *Teachers' Pension Plan Act.*

Accumulated Debt

The table below shows the balance of accumulated debt at March 31, 2010.

	2010	2009
	In millions	
Unmatured debt (Schedule 9)	$ 4,779	$ 2,064
Funding obligation for school board debentures	160	204
Adjustments to conform to statutory definition		
Borrowings for provincial corporations	(1,198)	(1,108)
Borrowings to repay the Teachers' Pension Plan Liability	(1,186)	-
Borrowings for capital purposes, including Alberta Capital Bonds	(1,463)	-
Accumulated debt as per the *Fiscal Responsibility Act*	$ 1,092	$ 1,160

In addition, Note 5 shows that funds amounting to $1,107 million (2009: $1,175 million), at cost, have been set aside in the Debt Retirement Account to retire accumulated debt that has not yet matured.

	2010		2009
	Budget	Actual	Actual
		In millions	
Accumulated debt per the *Fiscal Responsibility Act*	$ 1,092	$ 1,092	$ 1,160
Funds available for debt repayment	1,107	1,107	1,175
Accumulated debt less funds set aside	$ (15)	$ (15)	$ (15)

NOTE 7 LIABILITIES UNDER PUBLIC PRIVATE PARTNERSHIPS

The Province has entered into contracts to design, build, finance and operate the following projects as public private partnerships: Anthony Henday –South East Edmonton Ring Road, Stoney Trail – North East Calgary Ring Road, Anthony Henday – North West Edmonton Ring Road and Stoney Trail – South East Calgary Ring Road. The Province has also entered into a public private partnership contract to design, build, finance and maintain schools under the Alberta Schools Alternative Procurement Phase 1 project. These contracts include a construction period followed by a 30 year operations period for the ring roads and a 30 year maintenance period for the schools.

The details of the 30 year contracts for those projects that are under construction are as follows:

	Contractor	Date Contract entered into	Scheduled completion date	Date Capital payments begin
Alberta Schools Alternative Procurement Phase 1	BBPP Alberta Schools Ltd.	September 2008	June 2010	July 2010
Anthony Henday - North West Edmonton Ring Road	NorthwestConnect General Partnership	July 2008	October 2011	November 2011
Stoney Trail - South East Calgary Ring Road	Chinook Roads Partnership	March 2010	September 2013	October 2013

The details of the contracts for those projects that are already operational are as follows:

	Contractor	Date Contract entered into	Completion date	Date Capital payments began
Anthony Henday - South East Edmonton Ring Road	Access Roads Edmonton Ltd.	January 2005	October 2007	November 2007
Stoney Trail - North East Calgary Ring Road	Stoney Trail Group	February 2007	October 2009	November 2009

The calculation of the liabilities under public private partnerships is as follows:

	2010 Total	2009 Total
	In millions	
Liabilities, beginning of year	$ 880	$ 439
Additions to liabilities during the year	552	446
Principal payments	(7)	(5)
Liabilities, end of year	$ 1,425	$ 880

NOTE 8 CONTRACTUAL OBLIGATIONS

Contractual obligations are obligations of the Province to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2010	2009 Restated
	In millions	
Obligations under operating leases, contracts and programs	$ 23,712	$ 24,560
Loans and advances approved	66	52
Obligations under capital leases and public private partnerships		
Operations and maintenance payments	1,683	1,278
Capital payments	3,822	3,494
	$ 29,283	$ 29,384

Estimated payment requirements for each of the next five years and thereafter are as follows:

Obligations Under Operating Leases, Contracts and Programs

	In millions
2010-11	$ 7,075
2011-12	3,673
2012-13	2,559
2013-14	2,121
2014-15	1,844
Thereafter	6,440
	$ 23,712

Major commitments included in the above figures are commitments for capital construction contracts for health and education facilities, highways and the Municipal Sustainability Initiative which is a 10 year agreement between the Province and Alberta municipalities for capital and operating purposes.

Obligations under Capital Leases and Public Private Partnerships

Operations and Maintenance Payments

	In millions
2010-11	$ 26
2011-12	29
2012-13	36
2013-14	41
2014-15	45
Thereafter	1,506
	$ 1,683

Note 8 (continued)

Capital Payments

	In millions
2010-11	$ 61
2011-12	89
2012-13	117
2013-14	124
2014-15	131
Thereafter	3,300
	$ 3,822
Less amount representing interest	(1,809)
	$ 2,013

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them.

NOTE 9 CONTINGENT LIABILITIES

Set out below are details of contingent liabilities resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 12. Any losses arising from the settlement of contingent liabilities are treated as current year expenses.

(a) Indemnities and Guarantees

Guarantees amounting to $77 million (2009: $84 million) are detailed in Schedule 14.

The Province has pledged a $300 million indemnity as its share of funding support under the senior funding facility established under the Montreal Accord as outlined in Note 12.

(b) Contingent Liabilities

The Province, through the Credit Union Deposit Guarantee Corporation which operates under the authority of the *Credit Union Act*, has a potential liability under guarantees relating to deposits of credit unions. At December 31, 2009 credit unions in Alberta held deposits totalling $16.0 billion (2008: $15.1 billion). Credit unions have assets in excess of deposits which mitigates the Province's risk of loss that could arise from this potential obligation.

(c) Legal Actions

At March 31, 2010, the Province was involved in various legal actions, the outcome of which is not determinable. Accruals have been made in specific instances where it is probable that losses will be incurred which can be reasonably estimated. The resulting loss, if any, from claims in excess of the amounts accrued cannot be determined.

The Province has a contingent liability in respect of 34 claims (2009: 32 claims) concerning aboriginal rights, Indian title and treaty rights. In most cases, these claims have been filed jointly and severally against the Province of Alberta and the Government of Canada, and in some cases involve third parties. Of these claims, 18 (2009:18) have specified amounts totalling $145.6 billion (2009: $110.6 billion) plus a provision for interest and other costs that is not calculable. The other 16 claims (2009: 14 claims) have not specified any amounts.

Further, the Province was named as defendant in various other legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $4.53 billion (2009: $4.92 billion).

Note 9 (continued)

(d) Bitumen Royalties

Certain producers have disputed the basis of royalty calculation for bitumen royalties. Bitumen royalties reported may be adjusted by potentially significant amounts following resolution of the dispute.

NOTE 10 TRUST AND OTHER FUNDS UNDER ADMINISTRATION

Trust and other funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements. As at March 31, 2010, trust and other funds under administration were as follows:

	2010	2009
	In millions	
Public Sector Pension Plan Funds	$ 27,488	$ 22,757
Teachers' Pension Plan Funds	5,430	4,513
The Workers' Compensation Board Accident Fund	1,416	1,421
Public Trustee	532	524
Special Areas Trust Account	207	195
Various Court Offices and Fines Distribution Trust	99	101
Miscellaneous trust funds	391	272
	$ 35,563	$ 29,783

In addition to the above trust and other funds under administration, the Province holds bank guarantees in the form of letters of credit and promissory notes in the amount of $1,329 million (2009: $1,176 million). The majority of these guarantees are held to assure satisfactory reclamation of coal and oil sands operations, sand and gravel pits, landfills, hazardous waste management and hazardous recyclable facilities.

NOTE 11 DEFINED BENEFIT PLANS

(a) Pension Plans

The Government and Crown-controlled SUCH sector organizations administer the following contributory defined benefit pension plans for current and former employees of these government entities: the Public Service Pension Plan, the Supplementary Retirement Plan for Public Service Managers, the Management Employees Pension Plan, the Universities Academic Pension Plan, the Local Authorities Pension Plan and the Teachers' Pension Plan.

At December 31, 2009, the Public Service Pension Plan reported a deficiency of $1,729 million (2008: $1,188 million), the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $40 million (2008: $7 million), and the Management Employees Pension Plan reported a deficiency of $483 million (2008: $569 million). The extrapolation of unfunded liabilities to March 31, 2010 is reflected in Schedule 11.

Benefits paid from these plans are based on length of service and pensionable earnings. The average age of the approximately 49,900 active employees is 44. In addition, there are approximately 14,900 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 23,600 retirees. Benefit payments were $356 million in 2009 (2008: $328 million). Total contributions were $507 million in 2009 (2008: $477 million), of which employee contributions amounted to $236 million in 2009 (2008: $225 million).

Note 11 (continued)

The Universities Academic Pension Plan is a defined benefit pension plan primarily comprised of academic staff members and other eligible employees of the Universities of Alberta, Calgary, Lethbridge, Athabasca and the Banff Centre (employers). At December 31, 2009, the Universities Academic Pension Plan reported an actuarial deficiency of $971 million (2008: $1,055 million). The extrapolation of unfunded liabilities to March 31, 2010 is reflected in Schedule 11. The average age of the approximately 7,682 active employees is 48. In addition, there are approximately 1,244 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 3,607 retirees. Benefit payments were $165 million in 2009 (2008: $159 million). Total contributions were $176 million in 2009 (2008: $144 million), of which employee contributions amounted to $84 million (2008: $70 million).

The Local Authorities Pension Plan is a defined benefit pension plan for eligible employees of local authorities and approved public bodies. At December 31, 2009, the Local Authorities Pension Plan reported an actuarial deficiency of $3,999 million (2008: $4,414 million). The extrapolation of unfunded liabilities to March 31, 2010 is reflected in Schedule 11. The average age of the approximately 140,634 active employees is 45. In addition, there are approximately 18,542 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present, these plans provide benefits for approximately 42,172 retirees. Benefit payments were $57[illegible] million in 2009 (2008: $536 million). Total contributions were $1,344 million (2008: $1,094 million), of which employee contributions amounted to $640 million (2008: $524 million). Employees of Alberta Health Services, Crown-controlled colleges and administrative staff of school boards are members of the Local Authorities Pension Plan. The employers' portion of unfunded liability of Local Authorities Pension Plan is included in these financial statements with retroactive restatement of prior year comparatives.

The Teachers' Pension Plan Fund is a defined benefit pension plan for the teachers of Alberta. At March 31, 2010, the Fund reported an actuarial deficiency of $8,850 (2009: $9,368). The average age of the approximately 48,643 active employees is 46. In addition, there are approximately 8,482 former employees who are entitled to refunds of contributions with interest or pension benefits when all of the eligibility requirements are met. At present these plans provide benefits for approximately 36,667 retirees. Benefit payments were $587 million in 2009 (2008: $554 million). Total contributions were $484 million (2008: $438 million), of which employee contributions amounted to $252 million (2008: $225 million).

There is an additional employee pension plan in ATB Financial which is consolidated on the modified equity basis. The net assets of the pension plan maintained by ATB Financial are included in the Equity in commercial enterprises line in the Consolidated Statements of Financial Position. Total accrued benefit obligations equal $207 million (2009: $138 million), with estimated pension fund assets of $153 million (2009: $111 million), and an unamortized actuarial loss of $65 million (2009: $27 million). The accrued net asset is $27 million (2009: $15 million).

In addition to the aforementioned pension plans of the Province, there are several agencies which maintain their own plans to compensate senior staff members that do not participate in the regular government pension plans. These agencies include the Energy Resource Conservation Board, Alberta Utilities Commission, Alberta Securities Commission, and some SUCH sector entities. Additional information can be found in their respective financial statements.

(b) Long Term Disability Income Continuance Plans

The government also administers two long-term disability income continuance plans. As at March 31, 2010, these plans taken together reported an actuarial deficiency of $0.9 million (2009: $34.6 million). At March 31, 2010, the government's share of the estimated accrued benefit liability for these plans has been recognized in these financial statements.

NOTE 12 ASSET-BACKED SECURITIES

The Canadian market for third party or non-bank sponsored asset-backed commercial paper (ABCP) suffered a liquidity disruption in mid-August 2007, following which a group of market participants including major investors, banks, asset providers, dealers, and third-party sponsors, agreed to work collectively to restructure this market segment. This agreement, which came to be known as the Montreal Accord ("the Accord") was finalized on January 21, 2009. The ABCP subject to the Accord were restructured into new longer-term floating rate notes that more closely matched the maturities of the underlying assets.

At March 31, 2010, the Province, through its investments in the Alberta Heritage Savings Trust Fund, the Alberta Heritage Scholarship Fund, the Alberta Heritage Science and Engineering Research Endowment Fund, the Alberta Heritage Foundation for Medical Research Endowment Fund, and the Alberta Cancer Prevention Legacy Fund incurred write-downs. These write-downs amounted to $1 million, which all relates to ABCP subject to the Accord (2009: $45 million write-downs of which $2 million relates to ABCP subject to the Accord and $43 million relates to other asset-backed securities). The write-down of other asset-backed securities in 2009 relate to three structured investment vehicles with a market value at March 31, 2010 of $nil (2009: $nil). These charges are included in Net investment income on the Consolidated Statements of Operations. As of March 31, 2010, the remaining estimated fair value of the Province's Fund investments in asset-backed securities was $87 million (2009: $120 million).

Alberta Treasury Branches, which is accounted for on the modified equity basis, incurred a write-down on ABCP of $8 million, which relates to ABCP subject to the Accord (2009: $225 million write-downs of which $203 million relates to ABCP subject to Accord). These write-downs were offset by a receipt related to formerly written-off amounts. The net effect of the write-down and recovery was a recovery for ATB of $0.5 million. These transactions are reflected in Net income from commercial operations on the Consolidated Statements of Operations. As at March 31, 2010, the remaining estimated fair value of these investments in ABCP was $614 million (2009: $702 million).

The University of Alberta and the University of Calgary, both of which are accounted for on a line by line basis, incurred a recovery on ABCP totalling $17 million (2009: write-down of $44 million) of which $16 million (2009: write-down of $42 million) relates to the ABCP subject to the Accord. These recoveries are not included in the Consolidated Statements of Operations, but the balance of the investments is found in Portfolio investments in the Consolidated Statements of Financial Position. Public sector accounting standards do not permit adjustments to market value when fair value adjustments are upward in nature. As at March 31, 2010, the remaining estimated fair value of these investments in ABCP was $115 million (2009: $131 million).

The Province's holdings in ABCP subject to the Accord at March 31, 2010 are as follows:

	Cost		Adjusted Cost		Estimated Fair Value		Included in Financial Statement Line Item
	2010	2009	2010	2009	2010	2009	
	In millions						
Endowment and other funds [a]	$ 63	$ 63	$ 60	$ 61	$ 49	$ 59	Net investment income
Alberta Treasury Branches [b]	$ 922	$ 1,001	$ 568	$ 655	$ 553	$ 629	Net income from commerical operations
The University of Alberta and the Univeristy of Calgary	$ 196	$ 227	$ 107	$ 125	$ 115	$ 126	Net investment income

(a) Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Science and Engineering Research Endowment Fund, Alberta Heritage Foundation for Medical Research Endowment Fund and Alberta Cancer Prevention Legacy Fund.

(b) The variance year over year for Alberta Treasury Branches for Adjusted Cost Base is comprised of note redemptions, foreign exchange impacts and an increased provision.

Note 12 (continued)

A senior funding facility was also established as part of the Accord to help investors and asset providers to achieve a stable and effective restructuring agreement. The participants of this facility are the governments of Canada, Quebec, Alberta and Ontario. The Province has pledged a $300 million indemnity as its share of funding support.

Although the Montreal Accord restructuring successfully closed in January 2009, there remains continued uncertainty regarding the amount and timing of cash flows and the value of the assets that underlie the new investment structure. The moratorium currently in place that prevents collateral calls ends in July 2010. Consequently, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to our financial results.

NOTE 13 ENDOWMENT FUNDS

	2010	2009
	In millions	
Endowment funds of universities, colleges and hospitals	$ 1,435	$ 1,333

Endowment fund assets are included in Portfolio investments in the Consolidated Statements of Financial Position. Donors have placed restrictions on their contribution to the endowment funds of universities, colleges and hospitals. The principal restriction is that the original contribution should not be spent. Capital preservation, investment returns and the impact of inflation may also form restrictions on these funds.

NOTE 14 OTHER ADJUSTMENTS TO NET ASSETS

The reconciliation of other adjustments to Net assets is as follows:

	2010	2009
	In millions	
Other adjustments to net assets		
Accumulated unrealized (losses) gains (Schedule 7)	$ (77)	$ 86
Acquisition of highways (Schedule 13(e)) [(a)]	38	-
Change in accounting policy [(b)]	24	-
Increase in endowments (Note 13)	102	22
Consolidation adjustments relating to SUCH sector	(53)	(67)
Local Authorities Pension Plan [(c)]	-	(157)
Other	-	18
	$ 34	$ (98)

(a) During 2009-10, the Province assumed responsibility for the operation and maintenance of the Stoney Trail North Ring Road in the City of Calgary. The Province recorded this acquisition of highways and bridges as an adjustment to net assets.

(b) To reflect the impact of change of accounting policy for recognition of certain land disturbance fees and timber damage assessment.

(c) In 2009, the Province recorded the liability for its pension obligation as an employer for organizations that are controlled by the Province. This includes government sector entities and Crown-controlled SUCH sector organizations for former and current employees in the Local Authorities Pension Plan. As a result, the Province's opening Net assets for 2009 have been decreased by $157 million.

NOTE 15 SUBSEQUENT EVENTS

On April 15, 2010, the Province signed a $253 million public private partnership agreement to design, build, finance and maintain 10 new schools in the Edmonton and Calgary regions. The schools are owned by the school boards and are scheduled to be opened by the boards in September 2012. The 10 schools are part of the Alberta Schools Alternative Procurement Phase 2 project.

NOTE 16 COMPARATIVE FIGURES

Certain 2009 figures have been reclassified, where necessary, to conform to 2010 presentation.

Schedules to the Consolidated Financial Statements

March 31

REVENUES

Schedule 1

	2010	2009
	In millions	
Income taxes		
Personal income tax	$ 7,877	$ 8,708
Corporate income tax	4,754	4,252
	12,631	12,960
Other taxes		
Education property tax	1,717	1,642
Tobacco tax	864	828
Fuel tax	700	719
Freehold mineral rights tax	124	261
Insurance taxes	281	293
Tourism levy	60	74
	3,746	3,817
Non-renewable resource revenue		
Natural gas and by-products royalty	1,525	5,834
Synthetic crude oil and bitumen royalty	3,160	2,973
Bonuses and sales of Crown leases	1,165	1,112
Crude oil royalty	1,848	1,800
Rentals and fees	158	160
Coal royalty	31	36
Royalty tax credit/drilling stimulus initiatives	(1,119)	-
	6,768	11,915
Transfers from Government of Canada		
Health transfers	2,329	2,051
Canada social transfer	1,188	1,208
Agriculture support programs	376	284
Other	1,449	1,035
	5,342	4,578
Net income from commercial operations		
Lottery operations	1,405	1,512
Liquor operations	716	684
Other	138	15
	2,259	2,211
Net investment income (loss)	3,541	(1,888)
Premiums, fees and licences		
Health fees and charges	598	588
Health care insurance premiums	-	759
Motor vehicle licences	358	373
Crop and hail insurance premiums	222	209
Energy Resources Conservation Board levies	111	109
Other	625	565
	1,914	2,603
Other		
Tuition	841	753
Sales, rentals and services	783	595
Fundraising, donations, gifts and contributions	541	453
Other	1,044	1,328
	3,209	3,129
	$ 39,410	$ 39,325

EXPENSES BY MINISTRY

Schedule 2

	2010	2009
	In millions	
Program expenses		
Offices of the Legislative Assembly	$ 89	$ 87
Ministries		
Health and Wellness	14,402	13,442
Education	6,162	5,903
Advanced Education and Technology	4,690	4,453
Transportation	2,337	2,246
Seniors and Community Supports	1,947	1,850
Agriculture and Rural Development	1,351	1,319
Employment and Immigration	1,174	975
Children and Youth Services	1,136	1,093
Finance and Enterprise	961	941
Solicitor General and Public Security	611	579
Municipal Affairs	603	705
Housing and Urban Affairs	601	626
Infrastructure	511	758
Sustainable Resource Development	485	485
Justice	450	442
Energy	388	393
Culture and Community Spirit	309	524
Service Alberta	291	284
Environment	282	332
Tourism, Parks and Recreation	201	240
Aboriginal Relations	144	141
Treasury Board	66	42
Executive Council	29	29
International and Intergovernmental Relations	24	26
	39,244	37,915
Debt servicing costs	214	208
Pension provisions [(a)]	428	2,133
	$ 39,886	$ 40,256

(a) Pension provisions are related to the Ministry of Education, Ministry of Advanced Education and Technology, the Ministry of Finance and Enterprise, and the Ministry of Health and Wellness.

EXPENSES BY OBJECT

Schedule 3

	2010	2009
	In millions	
Grants	$ 10,400	$ 10,478
Services	7,520	7,240
Salaries, wages, employment contracts and benefits	15,180	13,976
Amortization of tangible capital assets and consumption of inventories of supplies	2,290	2,128
Interest and amortization of exchange gains and losses	323	432
Valuation adjustments (Schedule 4)	546	2,333
Materials and supplies	2,736	2,867
Travel and communication	296	333
Pension liability funding	419	317
Other	176	152
	$ 39,886	$ 40,256

VALUATION ADJUSTMENTS

Schedule 4

	2010	2009
	In millions	
Pension provisions (Schedule 11)	$ 428	$ 2,133
Provision for losses, doubtful accounts, loans, guarantees and indemnities	89	143
Provision for employee benefits other than pensions	29	57
	$ 546	$ 2,333

CASH AND TEMPORARY INVESTMENTS

Schedule 5

	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Fixed-income securities [a]				
Government of Canada, direct and guaranteed	$ 385	$ 386	$ 1,419	$ 1,422
Provincial, direct and guaranteed	1,066	1,067	1,736	1,741
Corporate	2,123	2,120	2,670	2,672
Municipal	126	129	51	51
Pooled investment funds	68	68	135	135
Other	1,675	1,675	2,090	2,091
	5,443	5,445	8,101	8,112
Cash and cash equivalents	5,322	5,319	5,787	5,787
	$ 10,765	$ 10,764	$ 13,888	$ 13,899

(a) Fixed-income securities for Crown-controlled SUCH sector organizations have an average effective market yield of 0.3% - 2.5% (2009: 0.6%-7.4%) per annum. All (2009: all) of the securities had terms to maturity of less than one year.

PORTFOLIO INVESTMENTS

Schedule 6

	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Fixed-income securities [(a)(b)(c)]				
Government of Canada, direct and guaranteed	$ 4,285	$ 4,349	$ 4,615	$ 4,880
Provincial, direct and guaranteed	4,758	4,887	4,519	4,728
Municipal	240	245	216	220
Corporate	7,188	7,380	6,618	6,579
Pooled investment funds	4,911	4,928	5,280	5,113
Other	355	371	330	336
	21,737	22,160	21,578	21,856
Equities				
Canadian	2,795	3,072	3,205	2,869
Foreign	6,723	6,782	5,816	5,484
Real estate	1,525	1,874	1,614	2,298
Alternative investments	2,457	2,421	2,284	2,311
Pooled investment funds	32	30	45	26
Other investments	27	23	18	23
	13,559	14,202	12,982	13,011
	$ 35,296	$ 36,362	$ 34,560	$ 34,867

(a) The majority of the Province's fixed-income securities are held by the General Revenue Fund. As at March 31, 2010, the General Revenue Fund held $15.2 billion (2009: $14.8 billion) of public fixed-income securities at cost (fair value $15.5 billion (2009: $15.2 billion)). The securities held have an average effective market yield of 3.7% (2009: 3.0%) per annum. Of the securities held, 26% (2009: 23%) had terms to maturity of less than one year.

(b) Fixed-income securities are also held by the Alberta Heritage Savings Trust Fund (Heritage Fund). As at March 31, 2010, the Heritage Fund held $3.6 billion (2009: $4.0 billion) of public fixed-income securities at cost (fair value $3.6 billion (2009: $3.8 billion)). The securities held have an average effective market yield of 5.0% (2009: 7.2%) per annum and the following term to maturity structure based on principal amount:

	2010	2009
	%	
Under 1 year	3	5
1 to 5 years	33	36
6 to 10 years	36	27
11 to 20 years	13	15
Over 20 years	15	17
	100	100

(c) The amount held as portfolio investments by Crown-controlled SUCH sector organizations are consolidated on a line-by-line basis. Fixed income securities reported by post secondary institutions have an average effective market yield of 3.5% (2009: 2.4%) per annum, Alberta Health Services has an average effective market yield of 3.7% (2009: 3% to 7.4%) per annum, and school jurisdictions have an approximate effective market yield of 2.8% (2009: 4.2%) per annum. The securities have the following term to maturity structure based on principal amount:

	2010			2009		
	Alberta Health Services	Post Secondary Institutions	School Jurisdictions	Alberta Health Services	Post Secondary Institutions	School Jurisdictions
	%			%		
Under 1 year	6	64	17	22	15	19
1 to 5 years	39	18	28	38	31	22
6 to 10 years	31	7	19	25	17	20
11 to 20 years	24	4	20	15	9	20
Over 20 years	-	7	16	-	28	19
	100	100	100	100	100	100

EQUITY IN COMMERCIAL ENTERPRISES

Schedule 7

	2010	2009
	In millions	
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 2,260	$ 2,168
Total revenue	4,730	4,980
Total expense	2,471	2,769
Net income from commercial operations	2,259	2,211
Change in accumulated unrealized (losses) gains	(77)	86
Net transfers to departments and other adjustments	(2,071)	(2,205)
Accumulated surpluses at end of year	$ 2,371	$ 2,260
Represented by		
Assets		
Loans	$ 22,539	$ 21,607
Investments	1,280	1,339
Other	2,345	4,244
	26,164	27,190
Liabilities		
Accounts payable	944	705
Deposits [(a)]	22,579	23,881
Unmatured debt	45	57
Repurchase agreements	225	287
	23,793	24,930
	$ 2,371	$ 2,260
Equity in commercial enterprises at end of year		
As reported by the entities		
ATB Financial	$ 1,809	$ 1,759
Alberta Gaming and Liquor Commission	420	369
Credit Union Deposit Guarantee Corporation	140	130
N.A. Properties (1994) Ltd.	2	2
	2,371	2,260
Subordinated debentures in support of deposit guarantees	45	57
	$ 2,416	$ 2,317

(a) The repayment of all deposits without limit, including accrued interest, is guaranteed by the Province in respect of which the Province assesses an annual deposit guarantee fee payable by ATB Financial.

At March 31, 2010, ATB Financial had a potential liability under guarantees and letters of credit amounting to $333 million (2009: $320 million).

LOANS AND ADVANCES

Schedule 8

	2010	2009
	In millions	
Loans and advances made under the authority of		
Alberta Capital Finance Authority Act [a]	$ 7,176	$ 5,896
Agriculture Financial Services Act [b]	1,265	1,172
Student Loan Act	447	352
Alberta Heritage Savings Trust Fund Act	290	294
Alberta Housing Act	3	5
Farm Credit Stability Act	-	1
Financial Administration Act	21	27
	9,202	7,747
Less allowance for doubtful accounts	309	277
	$ 8,893	$ 7,470

(a) The fair value of the loans as at March 31, 2010 was $7,682 million (2009: $6,380 million). Municipal loans on average yield 5.2% (2009: 5.4%) per annum.

(b) The fair value of the loans receivable is not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from estimated financial markets for such loans. Agricultural loan portfolios on average yield 5.7% (2009: 6.0%) per annum.

UNMATURED DEBT

Schedule 9

	2010				2009	
	Effective Rate [a]	Modified Duration [b]	Book Value [a]	Fair Value [a]	Book Value [a]	Fair Value [a]
	%	years	*In millions*			
Direct debt						
Canadian dollar debt						
Floating rate and short-term fixed rate [c]	6.26	0.76	$ 493	$ 515	$ 40	$ 40
Fixed rate long-term [d][e]	4.63	6.66	4,213	4,349	1,950	2,167
	4.80	6.03	4,706	4,864	1,990	2,207
Alberta Social Housing Corporation						
Canadian dollar fixed rate debt			73	101	74	106
			$ 4,779	$ 4,965	$ 2,064	$ 2,313

(a) Book value represents the amount the Province owes. Fair value approximates market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. Effective rate is the rate that exactly discounts estimated future cash payments through the expected term of the debt to the net carrying amount. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Modified duration is the weighted average term to maturity of a security's cash flows (i.e. interest and principal) and is a measure of price volatility. The greater a bond's modified duration, the more impact a change in interest rates will have on its value.

(c) Floating rate debt includes short-term debt, term debt with less than one year to maturity, and term debt with interest rate reset within a year.

(d) Canadian dollar fixed rate debt includes $1,009 million (2009: $679 million) held by the Canada Pension Plan Investment Fund.

(e) Includes Alberta Capital Bonds with a par value of $79 million (2009: $nil) and additional borrowing of $1,384 million for capital purposes, and borrowing of $1,186 million to repay the Teachers' Pension Plan liability.

UNMATURED DEBT — Schedule 9 (continued)

Debt principal repayment requirements (based on par value) in each of the next five years, including short-term debt maturing in 2010-11 and thereafter, are as follows:

	In millions
2010-11	$ 546
2011-12	392
2012-13	321
2013-14	114
2014-15	1,198
Thereafter	2,208
	$ 4,779

DEBT OF ALBERTA CAPITAL FINANCE AUTHORITY — Schedule 10

	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
	In millions			
Alberta Capital Finance Authority				
Canadian dollar fixed rate debt [(a)]	$ 5,564	$ 6,316	$ 6,812	$ 7,174
Canadian dollar floating rate debt	2,536	2,434	-	-
	$ 8,100	$ 8,750	$ 6,812	$ 7,174
Effective rate per annum		5.0%		5.2%

(a) Canadian dollar fixed rate debt includes $1,116 million (2009: $1,447 million) held by the Canada Pension Plan Investment Fund.

The Province invests in the Consolidated Cash Investment Trust Fund which held $nil million (2009: $240 million) of Alberta Capital Finance Authority debt on March 31, 2010.

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2010-11 and thereafter, are as follows:

	In millions
2010-11	$ 1,270
2011-12	954
2012-13	1,675
2013-14	300
2014-15	717
Thereafter	3,184
	$ 8,100

PENSION LIABILITIES

Schedule 11

The Province accounts for the liabilities for pension obligations that the Government of Alberta has as an employer and as an employer for organizations that are controlled by the Province, including government sector entities and Crown-controlled SUCH sector organizations for former and current employees in the Local Authorities Pension Plan, the Management Employees Pension Plan, the Supplementary Retirement Plan for Public Service Managers, the Provincial Judges and Masters in Chambers Pension Plan, the Teachers' Pension Plan, the Universities Academic Pension Plan, Supplementary Executive Retirement Plans, and the Public Service Pension Plan.

The Province also accounts for the specific commitments made by the Government of Alberta for pre-1992 pension obligations to the Teachers' Pension Plan, the Public Service Management (Closed Membership) Pension Plan, the Universities Academic Pension Plan and the Special Forces Pension Plan. In 1992, there was pension plan reform resulting in pre-1992 and post-1991 arrangements for several pension plans.

The Province also accounts for the obligation to the Members of the Legislative Assembly Pension Plan.

Pension liabilities are as follows:

	2010			2009
	Pension Liabilities	Pension Provisions (Recovery) (Schedule 4)	Payout of pre 1992 loan [f]	Pension Liabilities
	In millions			
Liabilities for the Province's employer share for former and current employees				
Local Authorities Pension Plan [a]	$ 314	$ 128	$ -	$ 186
Management Employee Pension Plan [b]	92	57	-	35
Supplementary Retirement Plan for Public Service Managers [c]	40	40	-	-
Provincial Judges and Masters in Chambers Pension Plan [d]	11	7	-	4
Teachers' Pension Plan [f]	327	27	-	300
Universities Academic Pension Plan [h]	163	55		108
Supplementary Executive Retirement Plans [i]	39	(11)	-	50
	986	303	-	683
Liabilities for the Province's commitment towards pre-1992 obligations				
Teachers' Pension Plan [f]	7,387	95	(1,186)	8,478
Public Service Management (Closed Membership) Pension Plan [g]	650	-	-	650
Universities Academic Pension Plan [h]	293	27	-	266
Special Forces Pension Plan [h]	120	8	-	112
	8,450	130	(1,186)	9,506
Members of the Legislative Assembly Pension Plan [j]	45	(5)	-	50
	$ 9,481	$ 428	$ (1,186)	$ 10,239

The Local Authorities Pension Plan, the Management Employees Pension Plan, the Supplementary Retirement Plan for Public Service Managers, the Provincial Judges and Masters in Chambers Pension Plan and the Public Service Pension Plan, have reported a total deficiency as of the pension plans' fiscal year-ends of $6,261 million. The Province's share of the total deficiency, as an employer, is $2,546 million of which $2,086 million is unamortized losses that will be amortized over the employee average remaining service life of each plan and $3 million is due to timing differences between the pension plans' fiscal year-ends and March 31, 2010 resulting in the pension plan liability reported by the Province for these plans of $457 million.

The Teachers' Pension Plan has reported a total deficiency of $1,463 million for service after 1992. The Province's share of the total deficiency is $709 million of which $382 million is unamortized losses that will be amortized over the average remaining service life of the plan resulting in a pension plan liability reported by the Province for former and current employees of $327 million.

The Universities Academic Pension Plan has reported an actuarial deficiency of $924 million. The Province's share of the total deficiency, as an employer, is $315 million of which $152 million is unamortized losses that will be amortized over the average remaining service life of the plan resulting in a pension liability reported by the Province for former and current employees of $163 million.

The following is a description of each pension liability:

(a) The Local Authorities Pension Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, Alberta Health Services, school divisions, school districts, colleges, technical institutes and certain commissions, foundations, agencies, libraries, corporations, associations and societies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 6.23% of pensionable earnings shared equally between employees and employers until December 1, 2020.

(b) The Management Employee Pension Plan is a contributory defined benefit pension plan for eligible management employees of the Province and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992, and have not withdrawn from the Plan since that date, continue as members of this Plan. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by actuarial funding valuations are expected to be funded by special payments currently totalling 7.8% of pensionable earnings shared between employees and employers until December 31, 2017. Current services costs are funded by employers and employees. The Province guarantees payment of all benefits arising from service before 1994.

(c) The Supplementary Retirement Plan is a contributory defined benefit pension plan for certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds the maximum pensionable salary limit under the *Income Tax Act*. The Plan is supplementary to the MEPP. The contribution rates in effect at December 31, 2009 were unchanged at 10.5% of pensionable salary in excess of the maximum pensionable salary limit for eligible employees and designated employers.

(d) The Provincial Judges and Masters in Chambers Pension Plan is a contributory defined benefit pension plan for Judges and Masters in Chambers of the Province of Alberta. Current service costs are funded by the Province and plan members at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at March 31, 2010 are 7.00% of capped salary for plan members and 16.16% of capped salary for the Province. Benefits are payable by the Province if assets are insufficient to pay for all benefits under the Plan.

(e) The Public Service Pension Plan is a contributory defined benefit pension plan for eligible employees of the Province, approved provincial agencies and public bodies. In accordance with the *Public Sector Pension Plans Act*, the actuarial deficiencies as determined by an actuarial funding valuation are expected to be funded by special payments currently totalling 2.92% of pensionable earnings shared equally between employees and employers until December 31, 2020. Current service costs are funded by employers and employees.

(f) *The Teachers' Pension Plans Act* requires all teachers under contract with public and separate school jurisdictions in Alberta to contribute to the Teachers' Pension Plan. The Province assumed responsibility for the entire unfunded pre-1992 pension obligation of the Teachers' Pension Plan. In 2009-10 there was a repayment of $1,186 million towards the liability. The costs of all benefits paid under the pre-1992 Teachers' Pension Plan are paid by the Province. In addition, the Province is responsible for 50% of the unfunded liability, any current service costs and certain cost of living benefits for service after August 1992.

(g) The Public Service Management (Closed Membership) Pension Plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. The costs of all benefits under the Plan are paid by the Province.

(h) Under the *Public Sector Pension Plans Act*, the Province has a liability for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces pension plans.

For the Universities Academic Pension Plan, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25% of pensionable salaries by the Province and the balance of the required contributions is equally split between employees and employers, as determined by the plan valuation, until December 31, 2043. Current service costs are funded by employers and employees.

For the Special Forces Pension Plan, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45% by the Province and 27.27% each by employers and employees, until December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

(i) Certain consolidated entities provide defined supplementary executive retirement plans for certain management staff, and other benefit plans for all or specific groups of staff, depending on the plans. The cost of these benefits are actuarially determined on an annual basis using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage.

(j) The Province has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after that date. The costs for all benefits under the plan are paid by the Province.

Pension liabilities are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services and actuarial extrapolations performed at December 31, 2009 or March 31, 2010. The assumptions used in the valuations and extrapolations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

PENSION LIABILITIES

Schedule 11 (continued)

Information about the economic assumptions used in the most recent actuarial extrapolations for accounting purposes is provided below for each plan. The economic assumptions used at the latest extrapolation date are not necessarily the same assumptions used at the latest valuation date. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation Date	Latest Extrapolation Date	Salary Escalation Rate %	Inflation Rate %	Discount Rate %
Teachers' Pre-1992 Pension Plan	August 2009	March 2010	3.50	2.25	5.00
Teachers' Post-1992 Pension Plan	August 2009	March 2010	3.50	2.25	7.00
Public Service Management (Closed Membership) Pension Plan	December 2008	December 2009	-	2.25	5.00
Universities Academic Pension Plan	December 2008	March 2010	3.50	2.25	6.90
Local Authorities Pension Plan	December 2008	December 2009	3.50	2.25	6.50
Public Service Pension Plan	December 2008	December 2009	3.50	2.25	6.60
Members of the Legislative Assembly Pension Plan	March 2009	March 2010	-	2.25	5.00
Management Employees Pension Plan	December 2008	December 2009	3.50	2.25	6.60
Provincial Judges and Masters in Chambers Pension Plan	December 2008	March 2010	3.50	2.25	6.20
Supplementary Retirement Plan for Public Service Managers	December 2008	December 2009	3.50	2.25	4.70
Special Forces Pension Plan	December 2008	December 2009	3.50	2.25	6.90

A separate pension plan fund is maintained for each pension plan except for the Teachers' Pre-92 Pension Plan the Members of the Legislative Assembly Pension Plan, and the Supplementary Executive Retirement Plans. Each pension plan fund reports annually through financial statements.

OTHER ACCRUED LIABILITIES

Schedule 12

	2010	2009
	In millions	
Vacation entitlements	$ 1,192	$ 1,106
Guarantees, indemnities and remissions	2	3
	$ 1,194	$ 1,109

TANGIBLE CAPITAL ASSETS

Schedule 13

	General Capital Assets						Infrastructure Assets					2010 Total	2009 Total
	Land (a)	Buildings	Computer hardware and software	Equipment (b)	Other (c)	Sub Total	Land improvements (d)	Provincial highways, roads and airstrips (e)	Bridges	Dams and water management structures (f)	Sub Total		
Estimated Useful Life	Indefinite	10-50 yrs	3-10 yrs	3-40 yrs	3-50 yrs		10-40 yrs	20-50 yrs	50 yrs	25-80 yrs			
	In millions												
Historical Cost													
Beginning of year	$ 1,932	$ 20,545	$ 2,543	$ 5,956	$ 1,000	$ 31,976	$ 338	$ 12,460	$ 1,337	$ 1,285	$ 15,420	$ 47,396	$ 42,782
Additions	123	2,486	371	454	435	3,869	12	1,358	183	31	1,584	5,453	5,084
Transfers [e]	-	-	-	-	-	-	-	38	-	-	38	38	-
Disposals including write-downs	(3)	(54)	(82)	(143)	(3)	(285)	(1)	(73)	-	-	(74)	(359)	(470)
	2,052	22,977	2,832	6,267	1,432	35,560	349	13,783	1,520	1,316	16,968	52,528	47,396
Accumulated Amortization													
Beginning of year	-	8,406	1,703	2,711	544	13,364	179	3,188	323	311	4,001	17,365	16,214
Amortization expense	-	518	290	394	43	1,245	11	255	31	18	315	1,560	1,435
Effect of disposals including write-downs	-	(25)	(73)	(85)	(156)	(339)	-	(2)	-	-	(2)	(341)	(284)
	-	8,899	1,920	3,020	431	14,270	190	3,441	354	329	4,314	18,584	17,365
Net Book Value at March 31, 2010	$ 2,052	$ 14,078	$ 912	$ 3,247	$ 1,001	$ 21,290	$ 159	$ 10,342	$ 1,166	$ 987	$ 12,654	$ 33,944	
Net Book Value at March 31, 2009	$ 1,932	$ 12,139	$ 840	$ 3,245	$ 456	$ 18,612	$ 159	$ 9,272	$ 1,014	$ 974	$ 11,419		$ 30,031

(a) Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

(b) Equipment includes SuperNet, vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

(c) Other tangible capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

(d) Land improvements include parks development and grazing reserves.

(e) Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices, and include secondary highways and bridges and some key arterial roadways within cities. In the 2009-10 fiscal year, the Province assumed responsibility for $38 million of arterial highways in the City of Calgary which has been recorded as an adjustment to Net assets.

(f) Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

	2010	2009	Expiry Date
	In millions		
Feeder Associations Guarantee Act	$ 49	$ 50	Ongoing
Agriculture Financial Services Act	12	14	Ongoing
Alberta Housing Act	11	13	2011
Student Loan Act	6	8	Ongoing
	78	85	
Less estimated liability			
Guarantees	1	1	
	$ 77	$ 84	

Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

Guarantee programs under the following Acts are ongoing:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million),
- *Agriculture Financial Services Act*, and
- *Student Loan Act.*

The lender takes appropriate security prior to issuing to the borrower a loan which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

The financial statements of the following organizations are fully consolidated in these financial statements:

GOVERNMENT SECTOR ENTITIES

Offices of the Legislative Assembly
Support to the Legislative Assembly
Office of the Auditor General
Office of the Ombudsman
Office of the Chief Electoral Officer
Office of the Ethics Commissioner
Office of the Information and Privacy Commissioner

Departments

Aboriginal Relations
Advanced Education and Technology
Agriculture and Rural Development
Children and Youth Services
Culture and Community Spirit
Education
Employment and Immigration
Energy
Environment
Executive Council
Finance and Enterprise
Health and Wellness
Housing and Urban Affairs
Infrastructure
International and Intergovernmental Relations
Justice
Municipal Affairs
Seniors and Community Supports
Service Alberta
Solicitor General and Public Security
Sustainable Resource Development
Tourism, Parks and Recreation
Transportation
Treasury Board

Regulated Funds

Access to the Future Fund
Alberta Cancer Prevention Legacy Fund
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Heritage Science and Engineering Research Endowment Fund
Alberta Risk Management Fund

Regulated Funds (continued)

Alberta School Foundation Fund
Climate Change and Emissions Management Fund
Environmental Protection and Enhancement Fund
Historic Resources Fund
Alberta Lottery Fund
Provincial Judges and Masters in Chambers Reserve Fund
Supplementary Retirement Plan Reserve Fund
Victims of Crime Fund

Provincial Agencies

Agriculture Financial Services Corporation
Alberta Alcohol and Drug Abuse Commission [a]
Alberta Capital Finance Authority
Alberta Enterprise Corporation
Alberta Foundation for the Arts
Alberta Historical Resources Foundation
Alberta Innovates - Bio Solutions [b]
Alberta Innovates - Energy and Environment Solutions [b]
Alberta Innovates - Health Solutions [b]
Alberta Innovates - Technology Futures [b]
Alberta Investment Management Corporation
Alberta Livestock and Meat Agency
Alberta Local Authorities Pension Plan Corp.
Alberta Pensions Services Corporation
Alberta Petroleum Marketing Commission
Alberta Research Council Inc. [c]
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Sport, Recreation, Parks and Wildlife Foundation
Alberta Utilities Commission
Calgary and Area Child and Family Services Authority
Central Alberta Child and Family Services Authority
East Central Alberta Child and Family Services Authority
Edmonton and Area Child and Family Services Authority
Energy Resources Conservation Board
Human Rights, Citizenship and Multiculturalism Education Fund
Informatics Circle of Research Excellence Inc. (iCORE Inc.) [d]
Metis Settlements Child and Family Services Authority
Natural Resources Conservation Board
North Central Alberta Child and Family Services Authority
Northeast Alberta Child and Family Services Authority
Northwest Alberta Child and Family Services Authority
Persons with Developmental Disabilities Calgary Region Community Board
Persons with Developmental Disabilities Central Region Community Board
Persons with Developmental Disabilities Edmonton Region Community Board
Persons with Developmental Disabilities Northeast Region Community Board

Provincial Agencies (continued)

Persons with Developmental Disabilities Northwest Region Community Board
Persons with Developmental Disabilities South Region Community Board
Southeast Alberta Child and Family Services Authority
Southwest Alberta Child and Family Services Authority
The Government House Foundation
The Wild Rose Foundation
Travel Alberta [c]

Non-commercial Crown-controlled Corporation

Alberta Insurance Council

CROWN-CONTROLLED SUCH SECTOR ORGANIZATIONS

School Jurisdictions and Charter Schools

Almadina School Society
Aspen View Regional Division No. 19
Aurora School Ltd.
Battle River Regional Division No. 31
Black Gold Regional Division No. 18
Boyle Street Education Centre
Buffalo Trail Public Schools Regional Division No. 28
Calgary Arts Academy Society
Calgary Girls' School Society
Calgary Roman Catholic Separate School District No. 1
Calgary School District No. 19
Calgary Science School Society
Canadian Rockies Regional Division No. 12
CAPE-Centre for Academic and Personal Excellence Institute
Cardiff Roman Catholic Separate School District No. 684
Chinook's Edge School Division No. 73
Christ the Redeemer Catholic Separate Regional Division No. 3
Clearview School Division No. 71
East Central Alberta Catholic Separate Schools Regional Division No. 16
East Central Francophone Education Region No. 3
Edmonton Catholic Separate School District No. 7
Edmonton School District No. 7
Elk Island Catholic Separate Regional Division No. 41
Elk Island Public Schools Regional Division No. 14
Evergreen Catholic Separate Regional Division No. 2
Foundations for the Future Charter Academy (FFCA) Charter School Society
Foothills School Division No. 38
Fort McMurray Roman Catholic Separate School District No. 32
Fort McMurray Public School District No. 2833
Fort Vermilion School Division No. 52
Golden Hills School Division No. 75
Grande Prairie Roman Catholic Separate School District No. 28

School Jurisdictions and Charter Schools (continued)

Grande Prairie School District No. 2357
Grande Yellowhead Public School Division No. 77 (f)
Grasslands Regional Division No. 6
Greater North Central Francophone Education Region No. 2
Greater Southern Public Francophone Education Region No. 4
Greater Southern Separate Catholic Francophone Education Region No. 4
Greater St. Albert Catholic Regional Division No. 29
High Prairie School Division No. 48
Holy Family Catholic Regional Division No. 37
Holy Spirit Roman Catholic Separate Regional Division No. 4
Horizon School Division No. 67
Lakeland Roman Catholic Separate School District No. 150
Lethbridge School District No. 51
Living Waters Catholic Regional Division No. 42
Livingstone Range School Division No. 68
Medicine Hat Catholic Separate Regional Division No. 20
Medicine Hat School District No. 76
Mother Earth's Children's Charter School Society
New Horizons Charter School Society
Northern Gateway Regional Division No. 10
Northern Lights School Division No. 69
Northland School Division No. 61
Northwest Francophone Education Region No. 1
Palliser Regional Division No. 26
Parkland School Division No. 70
Peace River School Division No. 10
Peace Wapiti School Division No. 76
Pembina Hills Regional Division No. 7
Prairie Land Regional Division No. 25
Prairie Rose School Division No. 8
Red Deer Catholic Regional Division No. 39
Red Deer Public School District No. 104
Rocky View School Division No. 41
St. Albert Protestant Separate School District No. 6
St. Paul Education Regional Division No. 1
St. Thomas Aquinas Roman Catholic Separate Regional Division No. 38
Sturgeon School Division No. 24
Suzuki Charter School Society
Valhalla School Foundation
Westmount Charter School Society
Westwind School Division No. 74
Wetaskiwin Regional Division No. 11
Wild Rose School Division No. 66
Wolf Creek School Division No. 72

Universities

Athabasca University
Grant MacEwan University [g]
Mount Royal University [h]
The University of Alberta
The University of Calgary
The University of Lethbridge

Colleges

Alberta College of Art and Design
Bow Valley College
Grande Prairie Regional College
Keyano College
Lakeland College
Lethbridge College
Medicine Hat College
NorQuest College
Northern Lakes College
Olds College
Portage College
Red Deer College

Technical Institutes and The Banff Centre

Northern Alberta Institute of Technology
Southern Alberta Institute of Technology
The Banff Centre

Alberta Health Services and Other Health Entities [a]

Alberta Cancer Foundation
Alberta Health Services
Calgary Health Trust
Health Quality Council of Alberta

The following organizations are accounted for on the modified equity basis in these financial statements:

Commercial Enterprises

Alberta Gaming and Liquor Commission
ATB Financial
Credit Union Deposit Guarantee Corporation
N.A. Properties (1994) Ltd.

Commercial Crown-controlled Corporation

Gainers Inc.

Non-commercial Crown-controlled Corporation

Safety Codes Council

(a) Effective April 1, 2009, the nine regional health authorities (Chinook Health, Palliser Health Region, Calgary Health Region, David Thompson Health Region, East Central Health, Capital Health, Aspen Regional Health, Peace Country Health and Northern Lights Health Region), the Alberta Mental Health Board, the Alberta Cancer Board and the Alcohol and Drug Abuse Commission were consolidated into Alberta Health Services.
(b) These corporations were created by the *Alberta Research and Innovation Act* and regulation which were proclaimed and came into force on January 1, 2010.
(c) Alberta Research Council Inc. became part of Alberta Innovates – Technology Futures on January 1, 2010 pursuant to the *Alberta Research and Innovation Act.*
(d) Informatics Circle of Research Excellence Inc. (iCORE Inc.) became part of Alberta Innovates – Technology Futures on January 1, 2010 pursuant to the *Alberta Research and Innovation Act.*
(e) Travel Alberta was created by authority of the *Travel Alberta Act* which was proclaimed and came into force on April 1, 2009.
(f) Grande Yellowhead Regional Division No. 35 has changed its legal name to Grande Yellowhead Public School Division No. 77 effective September 30, 2009.
(g) Grant MacEwan College became Grant MacEwan University on September 24, 2009. (O.C. 481/2009)
(h) Mount Royal College became Mount Royal University on September 2, 2009. (O.C. 435/2009)

GLOSSARY

Absolute return strategies: Absolute return strategies encompass a wide variety of investments with the objective of realizing positive returns regardless of the overall market direction. A common feature of many of these strategies is buying undervalued securities and selling short overvalued securities. Some of the major types of strategies include long/short equity, merger arbitrage, macroeconomic strategies and short selling.

Accrued interest: Interest income that has been earned but not paid in cash at the financial statement date.

Alternative investments: Investments considered outside of the traditional asset class of stocks, bonds and cash. Examples include hedge funds, private equities, private income, timberland and asset-backed commercial paper.

Ask price: The price a seller is willing to accept for a security, also known as the offer price.

Asset mix: The major types of investments that make up a portfolio, usually expressed in percentages.

Bid price: The price a buyer is willing to pay for a security.

Call provision: An option included in a bond that gives the bond issuer the right to buy back all or part of a bond issue prior to maturity.

Counterparty risk: The risk that the other party in an agreement will default.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Debenture: A financial instrument showing a debt where the issuer promises to pay interest and repay the principal by the maturity date. It is usually unsecured, meaning there are no liens or pledges on specific assets.

Deferred capital contribution: An organization, which follows the deferral method of accounting, has a deferred capital contribution when an external party or a government sector entity contributes funds to the organization for the purchase of a tangible capital asset and the asset has not been purchased at the financial statement date. When the asset is purchased, the amount contributed is transferred to an account called unamortized deferred capital contributions.

Deferred contribution: An organization, which follows the deferral method of accounting, has a deferred contribution when an external party contributes funds to the organization for a specific purpose (other than for a capital item) and the funds remain unspent at the financial statement date. When the funds are used for the specific purpose, the contribution is recognized as revenue.

Defined benefit pension plan: A pension plan that specifies either the benefits to be received by an employee, or the method of determining those benefits, such as a pension benefit equal to two percent of the average of the five highest consecutive years' salary times the total years of service.

Derivative contracts: Financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, currency rates or credit ratings. They usually give rise to a financial asset of one party and a financial liability or equity instrument of another party, require no initial net investment, and are settled at a future date.

Discount: The difference between the price paid for a security and the security's par or face value. Because price fluctuates with interest rates, price will differ from the face value. For example, if interest rates are higher than the coupon rate, then the security is sold at a discount.

Emerging markets: The financial markets of developing economies. Examples include China and Brazil.

Endowment Funds: Endowment funds generally are established by donor gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The endowments may or may not be restricted in how they are used.

Fair value: The amount that an asset (or liability) could be bought or sold in a current arm's length transaction between knowledgeable, willing parties, that is, other than in a forced or liquidation sale. It is also known as market value.

Financial asset: An asset that could provide resources to pay liabilities or finance future operations. A financial asset could be cash, a right to receive cash or another financial asset from another party, a right to exchange financial instruments with another party under conditions that are potentially favourable, or equity of another entity.

First-in, first-out: A method of valuing inventory where the cost of the first goods purchased or acquired is the cost assigned to the first goods sold. Therefore, the cost allocated to the inventory items on hand at the end of the period is the cost of those items most recently acquired.

Fixed income instrument: Interest bearing instrument that provides a return in the form of fixed periodic payments and eventual return of principal at maturity, or money market instrument such as treasury bills and discount notes.

Floating rate: An interest rate that is reset periodically, usually every couple of months or sometimes daily.

Hedging: An activity designed to manage exposure to one or more risks. When management designates a hedging relationship, it must identify the specific items included in the hedging relationship, the risk that is being hedged, and the period over which the hedging relationship is intended to be effective. The designation of the hedging relationship is documented formally in the entity's records when designation occurs.

Interest rate risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market interest rates.

Leveraging: The use of various financial instruments or borrowed capital to increase the potential return of an investment.

Liquidity: The ability to convert an asset to cash quickly.

Market risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of future changes in market prices.

Net realizable value: The selling price less the estimated costs of completion and costs necessary to make the sale.

Par value: The face or principal amount of a bond, typically expressed as multiples of $100 or $1,000. Bond holders receive par value for their bonds at maturity.

Prepaid expenses: An expenditure that is paid for in one accounting period, but which will not be entirely consumed until a future period. Consequently, it is carried on the Consolidated Statements of Financial Position as an asset until it is consumed.

Present value: Today's value of one or more future cash payments, determined by discounting the future cash payments using interest rates.

Private equity: An ownership interest in a privately held company.

Public equity: An ownership interest in a publicly-traded company.

Public private partnership: A legally-binding contract between government and business for the provision of assets and the delivery of services that allocates responsibilities and business risks among the various partners.

Realized gains and losses: Gains or losses are realized when investments are sold at a price over or below its book value and selling costs.

Refinancing risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate due to refinancing.

Repurchase Agreement (Repo): An agreement between two parties whereby one party sells the other a security at a specified price with a commitment to buy the security back at a later date for another specified price.

Segment: A distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Temporary investment: Investments which are transitional or current in nature and generally capable of reasonably prompt liquidation.

Temporary loss: Determining when a loss is other than temporary is a matter of judgment, but it is generally presumed if a condition indicating a loss in value has persisted for a period of three or four years.

Unamortized deferred capital contribution: Once an organization, which follows the deferral method of accounting, uses contributed funds to purchase a tangible capital asset, the amount contributed is transferred to an account called unamortized deferred capital contributions. As the tangible capital asset is amortized, the contribution is recorded as revenue.

Unmatured debt: Unredeemed Government securities that have not matured and that are issued in respect of money raised under section 56(1) of the Financial Administration Act, and the total outstanding borrowings of Alberta Social Housing Corporation.

Yield curve: A graphic line chart that shows interest rates at a specific point for all securities having equal risk, but different maturity dates.

Government
of Alberta ■